

25—4.4(175) Eligible projects and activities.

4.4(1) *Use of project.* Loans must be for new purchases; funds may not be used for refinancing. Assets purchased with loan funds must be used for agricultural purposes.

a. If the borrower is an individual, the agricultural property purchased with funds from a participated loan shall be used for farming only by the individual, the individual's spouse, or the individual's minor children.

b. If the borrower is a partnership, the agricultural property purchased with funds from a participated loan shall be used for farming only by the partners, each partner's spouse or each partner's minor children.

c. If the borrower is a corporation, the agricultural property purchased with funds from a participated loan shall be used for farming only by the corporate shareholders, each shareholder's spouse or each shareholder's minor children.

d. If the borrower is a limited liability company, the agricultural property purchased with funds from a participated loan shall be used for farming by the members, each member's spouse or each member's minor children.

4.4(2) *Agricultural land.* The participated loan can be used for the purchase of agricultural land, which may include small acreages on which sufficient agricultural improvements are located to conduct a livestock operation. If a house is located on land for which a participation is requested, an appraisal of the house will be made. If the appraised value of the house exceeds 50 percent of the appraised value of the property or total collateral, then the property will not be eligible for a loan.

4.4(3) *Agricultural improvements.* The participated loan can be used for the construction or purchase of improvements located on agricultural land (which is suitable for use in farming). Examples of such improvements include, but are not limited to, the following: confinement systems for swine, cattle, or poultry; barns or other outbuildings; grain storage facilities and silos. There are restrictions regarding participated loans for a personal residence on a farm.

4.4(4) *Livestock used for breeding purposes.* The participated loan can be used for the purchase of livestock for which an income tax deduction for depreciation is allowed in computing state and federal income taxes.

a. Eligible livestock include, but are not limited to, the following: swine, sheep, beef, and dairy cattle used for breeding purposes.

b. Ineligible animals include, but are not limited to, the following: feeder cattle, feeder pigs, feeder lambs, chickens, or turkeys as they do not qualify as depreciable property and, as a result, are not eligible under the program. Other animals that would be ineligible under the program would include horses and those classed as "exotic" such as llamas, fallow deer, ostriches and emus.

c. There are certain provisions included in the loan agreement regarding payments due to the death or sale of livestock included in the loan.

4.4(5) *Machinery and equipment.* The participated loan can be used for the purchase of agricultural machinery and equipment for which an income tax deduction for depreciation is allowed in computing state and federal income taxes. This machinery and equipment must be used in the borrower's farming operation.

4.4(6) *Recent purchases.* Purchases which can be approved by the authority within 60 days of the purchase date are permitted.

4.4(7) *Interim financing by lender.* Interim financing by the lender may be done provided the authority has received a written request by the lender explaining the details and justification for interim financing and the expected time frame for participation closing date. Examples: construction projects, buying breeding livestock or machinery.